

CITY OF HANSELL

**INDEPENDENT ACCOUNTANT'S REPORT ON THE STATUS OF PERIODIC EXAMINATION
FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD
DECEMBER 1, 2015 THROUGH MAY 31, 2016**

CITY OF HANSELL

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City of Hansell

Officials

Name	Title	Term Expires
<u>(Before January 2016)</u>		
Doug Symens	Mayor	January 2016
Delores Cunningham	Council Member	January 2016
Joe Hanna	Council Member	January 2016
Jess Harlan	Council Member	January 2016
Jason Harper	Council Member	January 2016
Michael Norman	Council Member	January 2016
Deanna Genz	City Clerk	Indefinite
Tony Krukow	City Attorney	Indefinite
<u>(After January 2016)</u>		
Jason Harper	Mayor	January 2018
Joe Hanna	Council Member	January 2018
Jess Harlan	Council Member	January 2018
Colten Harper	Council Member	January 2018
Ben McKinney	Council Member	January 2018
Michael Norman	Council Member	January 2018
Deanna Genz	City Clerk	Indefinite
Tony Krukow	City Attorney	Indefinite



**INDEPENDENT ACCOUNTANT'S REPORT ON THE STATUS OF PERIODIC
EXAMINATION FINDINGS AND RECOMMENDATIONS**

To the Honorable Mayor
and Members of the City Council:

Gardiner Thomsen P.C. issued a Periodic Examination Report dated August 26, 2014 on the City of Hansell, Iowa covering the period July 1, 2013 through June 30, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report date August 26, 2014 and the current status of the City's implementation of the recommendations included in that report. It also includes additional findings and recommendations for other issues identified during our follow-up procedures.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Hansell and other parties to whom the City of Hansell may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Hansell during the course of our follow-up procedures. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Gardiner Thomsen, P.C.

Charles City, Iowa

September 15, 2016

**REPORT ON THE STATUS OF PERIODIC EXAMINATION
FINDINGS AND RECOMMENDATIONS**

CITY OF HANSELL

REPORT ON THE STATUS OF THE PERIODIC EXAMINATION FINDINGS AND RECOMMENDATIONS

Findings Reported in the Periodic Examination Report dated August 26, 2014:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

Current Status – Not corrected. The recommendation is repeated. In addition, see Finding (L).

- (B) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, the recommended chart of accounts, or its equivalent, should be followed.

Current Status – Not corrected. The recommendation is repeated.

- (C) City Council Minutes – Chapter 21.4 of the Code of Iowa requires notice of the time, date and place of each meeting to be posted at least twenty four hours prior to the commencement of the meeting. The proper posting was not able to be verified for the meetings selected for testing. Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. For cities of two hundred population or less, posting in three public places in the city which have been permanently designated by ordinance is sufficient. The proper posting of the Council minutes was not able to be verified for the meetings selected for testing.

It was noted that two invoices were not properly authorized by the City Council. These two items were listed on the agenda, but were not included on the list of approved claims in the City Council minutes.

It was noted that the City Council does not receive a monthly comparison of budget and actual disbursements by program.

REPORT ON THE STATUS OF THE PERIODIC EXAMINATION FINDINGS AND RECOMMENDATIONS (CONTINUED)

Findings Reported in the Periodic Examination Report dated August 26, 2014 (Continued)

Recommendation – The City should comply with the Code of Iowa for proper posting of notices and City Council minutes. Posted City Council minutes should include total disbursements for each fund, a list of claims allowed (including reason), and a summary of all receipts and a summary of ordinances adopted. Proper documentation should be maintained to verify these postings.

The City Council should approve all claims in the City Council minutes.

The City Council should receive a monthly comparison of budget and actual disbursements by program.

Current Status – Partially corrected. All invoices reviewed were properly authorized by the City Council. The proper posting of the Council minutes was not able to be verified for the meetings selected for testing. The City Council does not receive a monthly comparison of budget and actual disbursements by program. The recommendation is repeated.

- (D) Deposits and Investments – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

Current Status – Not corrected. The recommendation is repeated.

- (E) Annual Financial Report – The City's annual financial report does not accurately reflect the City's financial information from the monthly financial reports. The fund balance total reported on the annual financial report agrees to the bank reconciliation, however, individual fund balances and activity do not agree.

Recommendation – The City should establish procedures to ensure the City's annual financial report accurately reflects the City's transactions and financial position by fund.

Current Status – Not corrected. The City's annual financial report does not accurately reflect the City's financial information from the monthly financial reports. The fund balance total reported on the annual financial report did not agree to the bank reconciliation in total or by individual fund. The recommendation is repeated.

- (F) Disbursement Documentation – It was noted that a reimbursement made to the City Clerk lacked proper supporting documentation.

Recommendation – All disbursements should be supported by proper documentation.

Current Status – Fully Corrected. There were no reimbursements lacking supporting documentation noted. The recommendation is not repeated.

- (G) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for its bank account.

CITY OF HANSELL

REPORT ON THE STATUS OF THE PERIODIC EXAMINATION FINDINGS AND RECOMMENDATIONS (CONTINUED)

Findings Reported in the Periodic Examination Report dated August 26, 2014 (Continued)

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Current Status – Fully Corrected. The City receives images of both the front and back of each cancelled check with the monthly bank statements. The recommendation is not repeated.

- (H) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the general government function and business type activities. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Current Status – Not corrected. Disbursements for period exceeded the amounts budgeted in the public works, health and social services and general government functions. The recommendation is repeated.

- (I) Deficit Balances – The City’s annual financial report reflects a deficit balance in the City’s General Fund of \$23,573 at June 30, 2014.

Recommendation – The City should investigate alternative to eliminate the deficit in order to return the General Fund to a sound financial position.

Current Status – Fully Corrected. There were no deficit fund balances noted at May 31, 2016. The recommendation is not repeated.

- (J) Payroll – There was no documentation that the City Council is approving employee salary and wages. There was no documentation to support approved wages for the period of the engagement.

Recommendation – The City Council should establish the wages of City employees and wages should be documented in the official minutes.

Current Status – Not corrected. The recommendation is repeated.

- (K) Authorized Signature on Checks – Several of the disbursements tested were for under \$2,000. These checks did not have dual signatures and were only signed by the City Clerk.

Recommendation – The City Council should ensure dual signatures are used for disbursements.

Current Status – Fully Corrected. The City passed a Resolution authorizing the City Clerk to sign checks for late bills under \$1,000. There were no checks noted during testing over \$1,000 that did not include dual signatures. The recommendation is not repeated.

CITY OF HANSELL

REPORT ON THE STATUS OF THE PERIODIC EXAMINATION FINDINGS AND RECOMMENDATIONS (CONTINUED)

Additional Findings as a Result of Follow-Up Procedures:

- (L) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over the duties noted in Finding (A) and over each of the following areas for the City:

- (1) Payroll – entering rates into the system
- (2) Computer System – performing all general accounting functions, controlling all data input and output and having custody of assets.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

NEWS RELEASE

FOR RELEASE

Gardiner Thomsen, P.C. today released a Report on the Status of Findings and Recommendations on the City of Hansell's Periodic Examination Report dated August 26, 2014. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period December 1, 2015 to May 31, 2016.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight. Seven of the eleven findings reported in the Periodic Examination Report dated August 26, 2014 are repeated in this report. While the City partially corrected one of the eleven findings, six of the findings are reported as "not corrected". Four findings were reported as "fully corrected". One additional finding identified during the follow-up procedures is also included in this report.

A copy of the Report on the Status of Findings and Recommendations from the City of Hansell's Periodic Examination Report dated August 26, 2014 is available for review in the City Clerk's Office, in the Office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.